JOINT MEETING OF THE
INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE
AND FINANCIAL SUBCOMMITTEE
MEETING SUMMARY

April 1, 2013, 4:00 p.m.

Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, Seventh Floor, Las Vegas, Nevada

IRPAC Members Present	Tom Burns	Bob Kasner
	Yvanna Cancela	Jennifer Lewis
	Kirk Clausen	Otto Merida
	Thalia Dondero	Bobbi Miracle
	Bob Ferraro	Phil Ralston
	Mike Forman	John Restrepo
	Garry Goett	Scot Rutledge
	Katherine Jacobi	David Scherer
	Carol Jefferies	Virginia Valentine
IRPAC Members Absent	Joyce Haldeman	Danny Thompson
	Warren Hardy	
Financial Subcommittee Present	Brian McAnallen	Gay Shoaff
	Jarmilla McMillan-Arnold	Tom Warden
Financial Subcommittee Absent	Jay King	Joe Woody
	Terry Murphy	
Staff Present:	John Entsminger	Frank Milligan
	Rick Holmes	Katie Horn
	Zane Marshall	
Others Present:	Guy Hobbs	Brian Thomas

PUBLIC COMMENT

Ed Uehling said the committee should review internal SNWA factors, the Groundwater Development Project, and the last rate increase, as well as reduce rates for high indoor water users and increase rates for high outdoor water users.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA's) Integrated Resource Planning Advisory Committee (IRPAC) and member agency financial subcommittee (Financial Subcommittee) met on Monday, April 1, 2013. The meeting began at 4:04 p.m.

Approve the March 11, 2013 meeting summary. There being no comments or questions, the meeting summary was approved by the committee.

Outstanding Information Requests. Staff provided a breakdown of active meters by size from each member agency (Las Vegas Valley Water District (LVVWD), North Las Vegas, and Henderson), as requested at the March 11, 2013 meeting.

Additionally, at the March 11, 2013 meeting, committee members provided suggestions as to specific customers to use for comparison purposes. Facilitator, Dave Ebersold showed the committee a *Customer Type Comparisons* chart, which was updated to reflect the committee's suggestions.

Mr. Ebersold outlined the meeting goals:

- Narrow the list of rate examples for consideration
- Review additional rate examples
- Discuss rate examples and appropriate next steps

Remove rate examples from further consideration. Of the rate examples previously provided, the committee agreed to eliminate the following examples from further consideration:

1. Commodity Charge Increase

2. Infrastructure Charge Increase
    a. No increase to firelines
    b. Increase to firelines
    c. Increase existing fireline charge by 3 percent inflation
    d. Increase existing fireline charge by 3 percent inflation and gradual increases to the Infrastructure Charge beginning in 2014

3. Hybrid: Commodity Charge and Infrastructure Charge Increase
    b. Increases to firelines at proportionate rates

Guy Hobbs of Hobbs, Ong & Associates stated that he has been using three percent as a proxy for the index increase. He asked if the committee was ready to define the index as CPI, PPI or another number. The committee agreed to use CPI for the 12 months preceding the fiscal year for which the increase is shown. Mr. Hobbs also agreed to provide the committee with a sensitivity analyses regarding the index for a couple of examples so the committee can see the relative change.

The committee agreed that rate examples 3a, 3c and 3d will remain under consideration:

3. Hybrid: Commodity Charge and Infrastructure Charge Increase (50/50)
    a. No increase to firelines
    c. Increase existing fireline charge by inflation (3 percent)
    d. Increase existing fireline charge by inflation (3 percent) and gradual increases to the Infrastructure Charge beginning in 2014

The committee then discussed whether a rate increase should be introduced in 2016 or gradually phased-in beginning in 2014. Phil Ralston asked if it is possible to pay down the debt early if revenues come in higher than assumed. Brian Thomas, Public Financial Management, said the debt can be paid early through defeasance—using funds from bonds sold previously (8 to 10 years ago) to purchase bonds due in a year or two. This would allow the SNWA to rollover less debt at each bond maturity. Mr. Ralston stated that the committee should consider this when deciding between a gradual rate increase or waiting until 2016.

John Entsminger, SNWA Senior Deputy General Manager, stated that the benefit of implementing a rate increase in 2014 is to reduce the impact in 2016—not to collect extra or excess revenue. Mr. Hobbs added that funds collected in 2014 and 2015 would have to be used exclusively for rate reduction and not for any other purposes. He noted that revenues raised above the objective fund balance level of $280 million could go into the Rate Stabilization Fund.

Several committee members favored a gradual increase, while others preferred to introduce the increase in 2016. Mr. Ebersold suggested the committee members discuss this topic with their respective stakeholder groups and come to the next meeting prepared to continue the discussion. The committee agreed. At the May meeting, the committee will review the customer-type comparisons for examples 3a, 3c and 3d.

Review funding and revenue examples. Mr. Hobbs then provided the committee with additional examples for consideration.

No increase to existing fireline charges
4A. Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2016
4B: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2016
4G: Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2014
4H: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2014

Fireline increases with inflation
4C: Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2016
4D: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2016
4I: Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2014
4J: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2014

Fireline increases with proportionate levels
4E: Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2016
4F: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2016
4K: Hybrid: Commodity Charge (75%) and Infrastructure Charge (25%) - beginning in 2014
4L: Hybrid: Commodity Charge (25%) and Infrastructure Charge (75%) - beginning in 2014

The committee agreed to remove examples which increase the firelines at proportionate levels (examples 4E, 4F, 4K and 4L).

Mr. Scherer said that businesses, which typically use more water, will be impacted to a greater extent if the Commodity Charge is more heavily weighted. He added that the burden will be spread among a broader base if the rate is weighted higher on the Infrastructure Charge. Mr. Hobbs said that the more the Commodity Charge is weighted, the larger the impact to high-volume users.

Referring to Mr. Scherer's comment that businesses are typically high volume water users, Mr. Entsminger agreed that high-volume users will be impacted more if the rate is weighted heavier on the Commodity Charge side. Relative to concerns about conservation, however, Mr. Entsminger noted that although some businesses are high-volume users, they may not be high-volume consumers as the water they use is returned to Lake Mead, via Return-Flow Credits, to be used again.

Mr. Hobbs showed the committee a bar chart depicting bill comparisons for residential single-family customers for years 2016 and 2017 for examples 4A, 4B, 4C, and 4D. He then showed similar charts for a retail complex-mall, a commercial laundry, and a high school.

Mr. Hobbs stated that he will provide more detailed impact summaries now that the committee has eliminated some rate examples. The committee requested an additional column noting the cost per 1,000 gallons on the *Customer Type Comparisons* chart.

Mr. Ebersold asked the committee for input relative to the examples provided. Kirk Clausen said it appears that a phased-in approach is more budget friendly. John Restrepo said that in considering the SNWA's long-term goals and political realities, the committee should consider a 50 percent Commodity Charge/50 percent Infrastructure Charge approach. Bob Kasner stated that he prefers a rate weighted higher on the Commodity Charge to encourage conservation, which may potentially negate the need for future infrastructure. Mr. Hobbs stated that if the rate is heavily slanted toward the Commodity Charge, there might be an elasticity factor that will impact the revenue stream. Mr. Hobbs noted that the SNWA's expenses are primarily fixed. He added that it might be beneficial to have the revenues generated from a fixed and reliable source to match up with the nature of the obligations that have to be paid.

Mr. Scherer asked if case studies exist from other utilities who have considered similar issues. Brian Thomas said that price elasticity of demand associated with water and cost of service analyses have been done, which could be provided. Mr. Hobbs reminded the committee of a chart they received at a previous meeting depicting the mix of fixed, variable and other revenues for large municipal water agencies. He said there were not a lot of common factors. Mr. Scherer asked if a study exists detailing the impacts of a higher Commodity Charge. Mr. Hobbs said he will research whether such a study exists.

Mr. Kasner asked how many new infrastructure projects are planned in the SNWA's Capital Improvement Plan (CIP). Mr. Entsminger said the SNWA has a rolling CIP, which is renewed each year by the SNWA Board of Directors. There are no projects for new infrastructure projects being considered aside from the Groundwater Development Project. Mr. Entsminger reminded the committee that the SNWA Board directed the SNWA to get the Groundwater Development Project shovel ready and secure the required state and federal permitting in the event that catastrophic conditions dictate the need for the project (Lake Mead's elevation drops below 1,075 feet). Mr. Entsminger said that if construction of the Groundwater Development Project becomes imminent, there would be public participation well in advance to determine the funding formula.

Scot Rutledge asked what the SNWA's position is on Senate Bill 232—a bill that would subject the SNWA to rates approved by the Public Utilities Commission. Mr. Entsminger stated that as currently drafted, there is concern that the bill would affect the bond covenants of the SNWA's existing debt. Bonds were sold under a contract with a general obligation by the SNWA and LVVWD to raise revenues as needed to pay off debt. Injecting another tier of government regulation can undo the SNWA and LVVWD's obligation to raise rates and breaches the bond covenant. Mr. Entsminger said the SNWA's bond counsel has opined that SB 232 is unconstitutional under both the U.S. and Nevada Constitutions.

Mr. Entsminger also stated that recommendations made by this committee will more than likely be adopted by the SNWA Board of Directors. Under SB 232—should the Public Utilities Commission oversee the SNWA—the committee's recommendations can be overturned by one hearing officer.

Mr. Entsminger added that the SNWA is working with the bill sponsor and business community.

Mr. Ebersold advised the committee of a facility tour on April 20, 2013 from 9 a.m. to 1 p.m. The agenda includes a tour of the Las Vegas Wash, River Mountains Water Treatment Facility, an update on the Third Intake, and lunch. RSVPs are needed to Katie Horn by April 15th.

The next IRPAC meeting is scheduled for May 6, 2013.

PUBLIC COMMENT
Mr. Uehling discussed his dissatisfaction with the committee's selection of hybrid examples, the impacts of the last rate increase, and a reduced rate for high indoor water users.

ADJOURNMENT
The meeting was adjourned at 6:04 p.m.